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TAGS: [EFIN](#) [ENRG](#) [ETTC](#) [PREL](#) [EPET](#) [EINV](#) [SP](#) [IR](#)
SUBJECT: SPAIN/IRAN - UNION FENOSA VICE PRESIDENT CONFIRMS
SOCOIN ENGINEERING CONTRACT WITH IRAN

REF: (A) MADRID 468 (B) MADRID 270

Classified By: Charge d'Affaires, Hugo Llorens for reasons 1.4(b) and (d)

¶1. (C) Charge called Union Fenosa Vice President and CEO Honorato Lopez Isla on 11/20/07 to find out whether an 11/16/07 Financial Times story ("Tehran in talks with European companies over big LNG project") reporting that an Union Fenosa subsidiary, Socoin, had been awarded a euros 32.5 million engineering contract for "Iran LNG in August" was true. Lopez told Charge that the Financial Times article was accurate, and that he was aware of the article. Charge pointed out that the deal was disappointing to the U.S. because now was not the time for business as usual with Iran's oil and gas industry. Lopez said that Union Fenosa had only recently acquired Socoin and had therefore not been in a position to turn the deal off. Moreover the contract was not really an investment. The Socoin contract involved a part in a much bigger study and was similar to work that the company was conducting in Egypt and Oman. Nonetheless, Lopez told Charge: "I hear you." The Union Fenosa CEO said that he would be on travel in the coming days, but that when he came back he wanted to meet with the Charge to discuss Iran.

¶2. (C) Comment: The Socoin deal is obviously disappointing, but our sense is that we have an opening to influence future Union Fenosa activity in Iran. Union Fenosa, unlike other big Spanish energy companies, does not have major interests in the U.S. so we doubt the Iran Sanctions Act would be a significant deterrent for Union Fenosa. However, Lopez was clearly aware of U.S. concerns regarding Iran. Like other Spanish executives, he does not want to be on the wrong side of the USG. Ambassador Aguirre's 2/13/07 meeting with Repsol CEO Antonio Brufau (ref B), and his breakfast with other major Spanish businessmen on 5/9/07 (ref A), were probably discussed in wider Spanish business circles. The fact that the Spanish and international press have reported that Repsol is not likely to make a final investment decision regarding the South Pars gas project until diplomatic pressure on Iran eases has also probably not gone unnoticed.
LLORENS